

SENATE BILL No. 328

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-20.1.

Synopsis: School debt. Requires the department of local government finance to: (1) collect, organize, and publicize certain data; and (2) develop affordability measures that must be considered by a school corporation before the school corporation issues bonds or enters into a lease rental agreement. Specifies the factors that must be considered by the department of local government finance in developing the affordability measures. Provides that in the case of bonds or lease rental agreements for which a school corporation's preliminary determination to issue the bonds or enter into the lease rental agreement is made after December 31, 2009, the school corporation may not issue the bonds or enter into the lease rental agreement unless the governing body of the school corporation holds at least one public hearing in which the governing body of the school corporation: (1) discusses the bonds or lease agreement and the affordability of the bonds or lease agreement, as compared to the affordability measures; and (2) allows public testimony.

Effective: Upon passage.

Walker

January 8, 2009, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

SENATE BILL No. 328

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-20.1 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]:

4 **Chapter 20.1. Measures of School Debt Affordability**

5 **Sec. 1. As used in this chapter, "department" means the**
6 **department of local government finance.**

7 **Sec. 2. The department shall:**

8 (1) collect, organize, and publicize data as required in this
9 chapter; and

10 (2) develop under this chapter affordability measures that
11 must be considered by a school corporation under section 9 of
12 this chapter before the school corporation issues bonds or
13 enters into a lease rental agreement.

14 **Sec. 3. (a) The department shall, with the assistance of the**
15 **department of education, collect and organize the data necessary**
16 **to develop the affordability measures required by this chapter,**
17 **including the measures specifically required by subsection (b).**



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(b) The department shall calculate annually and list the following measures for each school corporation, based on the most recent available data:

(1) The school corporation's:

(A) cash ratio;

(B) current ratio; and

(C) operating ratio.

(2) The result of the total revenue of the school corporation divided by the population of the school corporation.

(3) The total amount of all outstanding debt of the school corporation.

(4) The result of the school corporation's long term debt divided by the net assessed value of taxable property within the school corporation.

(5) The result of the school corporation's annual debt service payments divided by the school corporation's general fund expenditures.

(6) The result of the school corporation's annual debt service payments divided by the school corporation's annual general fund revenue.

(7) The result of the school corporation's annual general fund expenditures divided by the net assessed value of taxable property within the school corporation.

(8) The result of the balance in the school corporation's general fund divided by the school corporation's annual general fund revenue.

(9) The rate of repayment of outstanding bond principal during the preceding ten (10) year period.

(10) The anticipated:

(A) amount of the school corporation's outstanding bond principal during the following ten (10) year period; and

(B) rate of repayment of that outstanding bond principal during that ten (10) year period.

(11) Whether the school corporation's annual general fund expenditures have substantially exceeded the school corporation's annual general fund revenue during any of the preceding three (3) years.

(12) Whether the school corporation's annual general fund expenditures have consistently exceeded the school corporation's annual general fund revenue.

(13) Whether the school corporation has any unfunded liabilities, including any unfunded retirement or severance

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liability (as defined in IC 20-48-1-2).

(14) Whether the repayment of debt has caused the school corporation to reduce or eliminate any programs or services during the preceding three (3) years.

(15) A reasonable rate of interest for debt incurred or to be incurred by the school corporation.

(16) Whether the school corporation's financial condition will allow the school corporation to fund operating expenses and debt repayment.

(17) The result of the school corporation's outstanding long term debt divided by the population of the school corporation.

(18) The result of:

(A) the sum of:

(i) the school corporation's outstanding long term debt; plus

(ii) the outstanding long term debt of other taxing units that include any of the territory of the school corporation; divided by

(B) the population of the school corporation.

(19) The result of the school corporation's outstanding long term debt divided by the median household income before taxes of households within the school corporation.

(20) The result of:

(A) the sum of:

(i) the school corporation's outstanding long term debt; plus

(ii) the outstanding long term debt of other taxing units that include any of the territory of the school corporation; divided by

(B) the per capita income of residents of the school corporation.

(21) The total tax rate of the school corporation.

(22) The result of the school corporation's annual debt service payments divided by the net assessed value of taxable property within the school corporation.

(23) The result of:

(A) the sum of:

(i) the school corporation's outstanding long term debt; plus

(ii) the outstanding long term debt of other taxing units that include any of the territory of the school corporation; divided by

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- 1 (B) the net assessed value of taxable property within the
 2 school corporation.
 3 (24) Whether the net assessed value of taxable property within
 4 the school corporation has decreased in any of the preceding
 5 five (5) years.
 6 (25) The percentage change in the population of the school
 7 corporation during the preceding five (5) years.
 8 (26) The percentage of property taxes imposed by the school
 9 corporation during each of the preceding three (3) years that
 10 was collected and paid to the school corporation.
 11 (27) The result of:
 12 (A) the total net assessed value of taxable property owned
 13 by the taxpayer with the greatest net assessed value of
 14 taxable property within the school corporation; divided by
 15 (B) the net assessed value of taxable property within the
 16 school corporation.
 17 (28) The result of:
 18 (A) the total net assessed value of taxable property owned
 19 by the ten (10) taxpayers with the greatest net assessed
 20 value of taxable property within the school corporation;
 21 divided by
 22 (B) the net assessed value of taxable property within the
 23 school corporation.
 24 (29) The result of:
 25 (A) the total net assessed value of taxable property owned
 26 by the twenty-five (25) taxpayers with the greatest net
 27 assessed value of taxable property within the school
 28 corporation; divided by
 29 (B) the net assessed value of taxable property within the
 30 school corporation.
 31 (30) The percentage of the net assessed value of taxable
 32 property within the school corporation that is concentrated in
 33 specific industries.
 34 (31) The result of:
 35 (A) the number of residents of the school corporation who
 36 filed a petition under the federal bankruptcy code; divided
 37 by
 38 (B) the population of the school corporation;
 39 during each of the preceding three (3) years.
 40 (32) The number of homesteads or other residential property
 41 within the school corporation for which property tax
 42 payments are delinquent.

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(33) The total dollar amount of delinquent property tax payments during the preceding year.

(34) The result of:

(A) the total dollar amount of delinquent property tax payments during each of the preceding three (3) years; divided by

(B) the net assessed value of taxable property within the school corporation during each of those years.

(35) The number of mortgage foreclosures during each of the preceding three (3) years for single family residences within the school corporation.

(36) The result of:

(A) the number of single mortgage foreclosures during each of the preceding three (3) years for single family residences within the school corporation; divided by

(B) the number of single family residences within the school corporation during each of those years.

(37) The median household income of all households within the school corporation.

(38) The percentage of the school corporation's families with gross family income that is less than the federal poverty level.

(39) The percentage of the school corporation's residents who are at least sixty-five (65) years of age.

(40) The percentage of the school corporation's students receiving free or reduced price lunches under the national school lunch program.

Sec. 4. (a) The department shall before January 1, 2010, develop the following affordability measures to be considered by a school corporation before the school corporation issues bonds or enters into a lease rental agreement:

(1) A school corporation affordability index.

(2) A community affordability index.

(3) An individual and family affordability index.

(b) The department shall before January 1, 2011, and before January 1 of each year thereafter update the affordability measures developed under this section.

(c) The department of education shall assist the department in developing and updating affordability measures under this section.

Sec. 5. The department shall do the following:

(1) Make the affordability measures under section 4 of this chapter and the data collected and organized under section 3 of this chapter available on the department's Internet web

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1 site.

2 (2) Distribute the affordability measures and the annual
3 updates to those affordability measures to each school
4 corporation.

5 Sec. 6. In developing the school corporation affordability index
6 under section 4(a)(1) of this chapter, the department shall consider
7 the use of the following:

8 (1) The measures described in section 3(b)(1) through 3(b)(16)
9 of this chapter.

10 (2) Any other measure considered appropriate by the
11 department as a measure of a school corporation's ability to
12 afford additional debt.

13 Sec. 7. In developing the community affordability index under
14 section 4(a)(2) of this chapter, the department shall consider the
15 use of the following:

16 (1) The measures described in section 3(b)(17) through
17 3(b)(30) of this chapter.

18 (2) Any other measure considered appropriate by the
19 department as a measure of a community's ability to afford
20 additional debt by school corporations within the community.

21 Sec. 8. In developing the individual and family affordability
22 index under section 4(a)(3) of this chapter, the department shall
23 consider the use of the following:

24 (1) The measures described in section 3(b)(31) through
25 3(b)(40) of this chapter.

26 (2) Any other measure considered appropriate by the
27 department as a measure of the ability of individuals and
28 families within a school corporation to afford the issuance of
29 debt by school corporations within the community.

30 Sec. 9. (a) This section applies only to bonds or lease rental
31 agreements for which a school corporation's preliminary
32 determination to issue the bonds or enter into the lease rental
33 agreement is made after December 31, 2009.

34 (b) A school corporation may not issue bonds or enter into a
35 lease rental agreement unless the governing body of the school
36 corporation holds at least one (1) public hearing in which the
37 governing body of the school corporation:

38 (1) discusses:

39 (A) the issuance of the bonds or the entering into of the
40 lease rental agreement; and

41 (B) the affordability of the bonds or lease, as compared to
42 the school corporation affordability index, the community

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1 affordability index, and the individual and family
2 affordability index developed by the department under
3 section 4 of this chapter for the school corporation; and
4 (2) allows public testimony on the issues described in
5 subdivision (1).
6 (c) The requirements of subsection (b) are in addition to any
7 other requirements that the school corporation must satisfy before
8 issuing the bonds or entering into the lease rental agreement.
9 SECTION 2. An emergency is declared for this act.

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